

OCTOBER 13, 2016

CARE REVOKES SUSPENSION AND REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF NEERAJ PAPER MARKETING LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	60	CARE BB+ (Double B+)	Suspension revoked and rating revised from CARE BB (Double BB)
Short-term Bank Facilities	20	CARE A4+ (A Four Plus)	Suspension revoked and rating revised from CARE A4 (A Four)
Total	80 (Rupees Eighty crore only)		

Rating Rationale

The revision in the ratings assigned to the bank facilities of Neeraj Paper Marketing Limited (NPML) takes into account increase in the operating income in FY16 (Audited, refers to the period April 01 to March 31) led by increase in the sale from paper trading segment and diversification of the business from metal trading to paper products trading. The ratings continue to take into account strength derived from experienced promoters, order based procurement and NPML's established position in the paper trading industry. However, the ratings are constrained by the working-capital intensive nature of its operations and weak financial risk profile as on March 31, 2016 characterized by low profitability margins and high overall gearing.

Going forward, the ability of NPML to manage its working capital requirements efficiently while improving its overall financial risk profile would be the key rating sensitivities.

Background

NPML, incorporated in 1995, as a Public Limited company. The company is engaged in the trading and distribution of writing & printing paper, waste paper, Kraft Paper, Duplex Board, Poster Paper, and other products. NPML procures writing and printing papers, craft paper, duplex paper from various mills across north India and sells to its own distributions network for further sale in the market. For trading of waste paper, NPML procures waste papers from waste paper traders and further sell the same to various paper mills.

During FY16 (refers to the period April 01 to March 31), NPML has reported a total operating income of Rs.380.97 crore with PAT of Rs.0.67 crore as against total operating income of Rs.310.25 crore with PAT of Rs.0.60 crore in FY15.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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CIN - L67190MH1993PLC071691